

Abstract

A method for creating backed derivatives includes the steps of depositing a collateral in a clearinghouse firm, electronically advising a custodian firm of the deposit, monitoring in real-time for the continued presence of the collateral in the clearinghouse firm, and authorizing a depository firm to issue a set of derivatives if the continued presence of the collateral is confirmed. Also disclosed is a method for ensuring that an issuer continues to possess a payable instrument in which a communication link is established between a custodian firm of the issuer and a clearinghouse firm, the clearinghouse firm is polled as to whether the issuer possesses the payable instrument in a custodial account of the issuer, an electronic confirmation is transferred to the custodian firm confirming the presence of the payable instrument in the custodial account, and in which these steps are repeated throughout the trading day.